

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 3504 – SB 3333

April 26, 2010

SUMMARY OF AMENDMENT (017695): Deletes the language of the original bill. Authorizes the Tennessee Valley Authority (TVA) to be included within the definition of “governmental electric system”, as it relates to the Electric G&T Cooperative Act, for purposes of membership in the G&T cooperative. Includes, as a purpose and power of the G&T cooperative, entering into one or more contractual agreements with state or local government for making payments in lieu of taxes. Creates a new privilege tax equal to 2.5 percent of gross receipts derived from or paid for covered wholesale sales of electric current for the purpose of establishing an obligation for making in lieu of tax payments and for keeping Tennessee and local governments whole from any diminution of payments in lieu of taxes. Directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to continue monitoring, with existing resources, whether current wholesale power supply arrangements between TVA and municipal utilities and electric cooperatives are likely to change in the future in a manner that would impact payments made in lieu of taxes from TVA to the state and local governments. Requires TACIR to report written findings no later than February 1, 2011, and annually thereafter, to certain specified committees of the General Assembly.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

Local Revenue – Net Impact – Not Significant

Increase Local Expenditures – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

State Revenue – Net Impact – Not Significant

State Expenditures – Net Impact – Not Significant

Local Revenue – Net Impact – Not Significant

Increase Local Expenditures – Not Significant

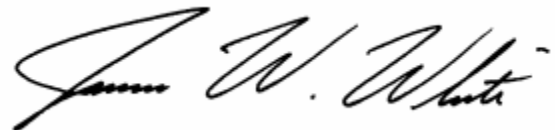
Assumptions applied to amendment:

- Pursuant to Section 3(f) of this bill as amended, the in lieu of tax obligations required by this section shall be administered and collected in the same manner as privilege taxes which are administered and collected under Title 67, Chapter 4, Part 3.

- Pursuant to Tenn. Code Ann. § 67-4-304, businesses exercising any privilege declared taxable by a section providing for administration under this part shall be required to pay to the counties and municipalities in this state all ad valorem taxes of every kind and character, including merchants' ad valorem taxes now authorized or that may later be authorized by law, and nothing in this part shall be construed as a denial to the various counties and municipalities in this state to collect such ad valorem taxes, including merchants' ad valorem taxes, from such businesses.
- As a result of the above referenced sections of current and proposed Tennessee law, local governments will administer and collect the privilege tax obligation created by this bill as amended.
- Pursuant to Section 3(a) of this bill as amended, the intent of this section is to establish an obligation to make in lieu of tax payments to keep, insofar as practical, Tennessee and its local governments whole from any diminution in the in lieu of tax payments. As a result, any privilege tax payments which are made will be applied to payments owed and paid in lieu of property taxes. Therefore, any net change to state or local government revenue is estimated to be not significant.
- Any net change to local government revenue as a result of cooperative agreements is estimated to be not significant because local governments are expected to negotiate for payments which are equal to any amount of taxes otherwise assessed and collected.
- There could be an increase to local government expenditures as a result of negotiating such agreements. However, any such increase is estimated to be not significant because it is assumed that any local government jurisdiction desiring to enter into such an agreement with an electric cooperative would already employ the resources required for negotiation. Further, it is anticipated that there would be a limited number of such agreements statewide.
- Any additional local expenditures resulting from TACIR monitoring requirements are estimated to be not significant because this bill as amended requires TACIR complete such responsibilities with existing resources.
- Any additional local expenditures resulting from TACIR reporting requirements are estimated to be not significant.
- According to the Tennessee Regulatory Authority, the Authority has no regulatory authority over these entities.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc